Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
A La Carte and Themed Tier Programming and Pricing Options for Programming Distribution on Cable Television and Direct Broadcast Satellite Systems	))))	**MB Docket No. 04-207**

OXYGEN MEDIA'S REPLY COMMENTS

Oxygen Media Corporation ("Oxygen") responds to the limited comments supporting some form of government intervention into the packaging of programming services. The record in this proceeding overwhelmingly supports the conclusion that mandatory a la carte carriage or mini-tiers would be bad for all affected constituencies -- programmers, distributors and consumers.

Oxygen's initial analysis of the impact of a la carte carriage or mini-tiers upon programming networks was widely shared by other programmers. The committed distribution needed to support the initial financing of new programming services would evaporate. Advertising revenues, a major source of revenue for original programming, would dramatically decrease. In order to try to recoup lost subscription and advertising revenues, programmers would be forced to increase their license fees to distributors, which increases would be passed on to consumers. As programmers would face these revenue losses, their marketing costs would skyrocket as they tried to market their services not only to distributors but also to individual consumers.

The result of these financial pressures would be decreased programming investment and soon thereafter network failures and further industry consolidation. A government initiative designed to foster consumer choice and lower prices would inevitably achieve the opposite result -- less diversity costing more. The record is clear and compelling.

Oxygen also responds to the few comments that had any specific relevance to it. The Center for Creative Voices in Media ("CCVM") asserts in its comments at 11-12 that Oxygen "had to sacrifice...independence" by bringing in "Time Warner and Paul Allen, both cable operator heavyweights...as significant investors" in order to obtain "more carriage" on cable systems. That assertion, which is offered without any support, is simply wrong. Oxygen raised financing from a number of sources, some of which, including America Online (owned by Time Warner) and Vulcan (owned by Paul Allen), are affiliated with cable operators. The Oxygen investors affiliated with cable operators, however, do not control Oxygen and own only a minority of Oxygen's outstanding equity. Oxygen is the only cable network owned and operated principally by women, and Geraldine Laybourne has controlled Oxygen since its inception.

CCVM also claims at 13 that Oxygen and other programmers have overstated the threat of a la carte carriage to their business models and that their real concern is with the "new networks that [will] spring up to compete...in serving the same audience" under an a la carte regime. Not surprisingly, CCVM also offers this assertion without any support because none exists. Oxygen believes that the threat of a la carte carriage to its business is real and grave, supported by empirical analysis, and universally shared by seasoned programmers with decades of experience. The revenue and expense numbers simply would not support a viable business.

CCVM then purports to know Oxygen's "real concern." However, as Oxygen explained in its initial comments, new networks would have no chance to get off the drawing board in an a la carte world, so the suggestion that new competition is "the real concern" is nonsense. It is understandable that television producers, directors and writers would support an environment that would make it easier to launch new networks. It is unfortunate that those groups apparently have reached the misguided belief that a la carte carriage would have that result. Although a la carte may sound good on the surface, and some of its supporters may have good intentions, its unintended consequences would be disastrous.

Respectfully submitted

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OXYGEN MEDIA CORPORATION

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